



**TESTIMONY OF  
STEPHEN FRAYNE  
SENIOR VICE PRESIDENT, HEALTH POLICY  
CONNECTICUT HOSPITAL ASSOCIATION  
BEFORE THE  
HUMAN SERVICES COMMITTEE  
Tuesday, March 2, 2010**

**HB 5328, An Act Implementing SAGA Hospital Rate Increases**

My name is Stephen Frayne. I am the Senior Vice President, Health Policy, of the Connecticut Hospital Association (CHA). I am testifying today in support of **HB 5328, An Act Implementing SAGA Hospital Rate Increases**.

Connecticut's hospitals are among the finest in the nation. Focused on quality and patient safety, and providing access to the most skilled professionals, the highest quality of care, and the latest technology, Connecticut hospitals deliver. Providing care to all who need it, regardless of ability to pay, twenty-four hours a day, seven days a week year-round, hospitals are integral to the quality of life and health in our communities. Hospitals are among the largest employers in the state, supporting over 97,000 jobs and generating nearly \$13 billion in annual economic activity. In more ways than one, the health of our communities is inextricably linked to the health of their local hospitals. Unfortunately, the economic crisis is ravaging the health of our hospitals.

2008 and 2009 were extraordinarily difficult years. In 2008 and again in 2009, Connecticut's hospitals lost more than \$300 million per year due to under-reimbursement for Medicaid and SAGA patients. In addition, during those two years, one of the traditional means hospitals use to make ends meet – non-operating (investment) income – fell short of what was expected by over \$620 million. The magnitude of that loss cannot be overstated – we expect it will take well over a decade to recover what was lost. Finally, since the start of the recession, about 100,000 Connecticut residents have lost jobs and employer-paid health insurance coverage, and the Medicaid and SAGA populations have increased by 75,000; combined enrollment in those programs now stands at about 500,000 – a little more than 14 percent of the state population.

As you may know, the SAGA program has been the focus of much legislative attention for several years. The program was significantly modified in 2004, subjecting hospitals, pharmacies, and community health centers to a cap based on available appropriations. Over time, the Department of Social Services (DSS) removed the cap from all providers except hospitals. Today, SAGA non-hospital providers are paid one hundred percent of the Medicaid rate while hospitals are paid about 43 percent of the Medicaid rate.

As of today, DSS has not taken the administrative steps needed to implement an 1115 waiver for the SAGA program as directed by the legislature, and does not plan to until July 1, 2011 – a full seven and a half years after first directed to do so by the legislature. In a letter dated January 20, 2010, DSS stated that the further delay is due to the uncertainty created by federal healthcare reform, scarce dollars to fund actuarial work, and limited staff resources.

The biennial budget passed in September 2009 provided the funding needed to raise hospital SAGA rates up to Medicaid effective January 1, 2010. Administration proposals to modify the budget make it clear that DSS will not be implementing existing law in the time frame required. **The funds necessary to raise hospital SAGA rates to Medicaid have been appropriated and will be matched with or without a waiver.**

HB 5328 simply directs DSS to start paying hospitals in accordance with the biennium budget at the Medicaid rate for SAGA, finally putting hospitals on par with all other providers to the SAGA program. If DSS does not pay hospitals for SAGA in accordance with the budget as adopted, it will result in a huge cut in funding for Connecticut's hospitals - as clearly illustrated on the attached document listing cuts for each hospital in the state.

**Please vote in favor of HB 5328, An Act Implementing SAGA Hospital Rate Increases.** Thank you for your consideration of our position.

**CHA Analysis of Impact of Cutting Hospital Funding for SAGA  
January 1, 2010 thru June 30, 2011**

	<b>SAGA Cut 1/1/10 - 6/30/10</b>	<b>SAGA Cut 7/1/10 - 6/30/11</b>	<b>SAGA Cut 18 Months</b>
WILLIAM W. BACKUS HOSPITAL	823,968	1,647,938	2,471,904
BRIDGEPORT HOSPITAL	2,129,273	4,258,546	6,387,819
BRISTOL HOSPITAL	653,081	1,306,162	1,959,243
HOSPITAL OF CENTRAL CONNECTICUT	1,361,693	2,723,387	4,085,080
CONNECTICUT CHILDREN'S MEDICAL CENTER	-	-	-
DANBURY HOSPITAL	1,321,116	2,642,232	3,963,349
DAY KIMBALL HOSPITAL	447,516	895,031	1,342,547
JOHN DEMPSEY HOSPITAL	953,837	1,907,674	2,861,510
GREENWICH HOSPITAL	44,577	89,155	133,732
GRIFFIN HOSPITAL	295,455	590,910	886,366
HARTFORD HOSPITAL	5,962,376	11,924,753	17,887,129
CHARLOTTE HUNGERFORD HOSPITAL	526,792	1,053,583	1,580,375
JOHNSON MEMORIAL HOSPITAL	129,565	259,131	388,696
LAWRENCE & MEMORIAL HOSPITAL	843,982	1,687,963	2,531,945
MANCHESTER HOSPITAL (ECHN)	716,774	1,433,549	2,150,323
MIDDLESEX HOSPITAL	646,064	1,292,128	1,938,192
MIDSTATE MEDICAL CENTER	561,043	1,122,086	1,683,129
MILFORD HOSPITAL	-	-	-
NEW MILFORD HOSPITAL	142,249	284,499	426,748
NORWALK HOSPITAL	1,093,819	2,187,638	3,281,456
ROCKVILLE HOSPITAL (ECHN)	241,843	483,685	725,528
ST. FRANCIS HOSPITAL	3,614,631	7,229,262	10,843,893
SAINT MARY'S HOSPITAL	1,073,477	2,146,954	3,220,431
HOSPITAL OF ST. RAPHAEL	2,022,584	4,045,167	6,067,751
ST. VINCENT'S MEDICAL CENTER	801,166	1,602,332	2,403,497
STAMFORD HOSPITAL	1,148,274	2,296,547	3,444,821
WATERBURY HOSPITAL	1,228,654	2,457,309	3,685,963
WINDHAM HOSPITAL	562,948	1,125,896	1,688,843
YALE-NEW HAVEN HOSPITAL	6,744,794	13,489,587	20,234,381
ESSENT-SHARON HOSPITAL	18,450	36,899	55,349
<b>TOTAL</b>	<b>36,110,000</b>	<b>72,220,000</b>	<b>108,330,000</b>

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